



**MCI Communications
Corporation**

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October 16, 1996

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, NW Room 222
Washington, DC 20554

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OCT 16 1996

Re: Ex Parte CC Docket 96-45 - Federal-State
Joint Board On Universal Service

Federal Communications Commission
Office of Secretary

Dear Mr. Caton:

On Tuesday, October 15, 1996, Joe Miller, Mary Sisak and Amy Zirkle of MCI met with Commissioner Laska Schoenfelder and Charles Bolle of the South Dakota Public Utilities Commission. The purpose of the meeting was to discuss MCI's position as stated in MCI's comments in this proceeding. The attached document was used during the meeting and outlines the topics discussed.

Due to the late hour of the meeting two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's rules the next business day.

Sincerely,

Kimberly M. Kirby

Attachment

cc: Commissioner Laska Shoenfelder
Charles Bolle

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Preservation and Advancement of Universal Service

- ◆ Replace Existing High Cost Fund
- ◆ Use Hatfield To Explicitly Size Subsidy
- ◆ Adopt Unitary Fund
- ◆ Require All Carriers To Pay on a Competitively-Neutral Basis
- ◆ Preserve Service to Low Income Users
- ◆ Connect Schools, Libraries, Health Care Providers

Hatfield Sizes Explicit Subsidy

- ◆ Hatfield determines cost per line in each density zone
- ◆ Hatfield includes capital costs for all network components and includes expenses such as joint and common costs
- ◆ Hatfield enables model user to specify rate that must be supported

Hatfield Model “Refined” Not “Redesigned”

- ◆ Version 2.2.2 implements TELRIC to determine the explicit amount of subsidy
- ◆ Hatfield 2.2.2 is not a “redesigned” model but rather a “refined” version of earlier models
 - Best matches TELRIC approach of the Interconnection Order
 - Uses existing switching locations, off-the-shelf technology, and current engineering practice
 - Assumptions are explicit and can be changed
 - Cost information derived from on-the-record sources

Hatfield is Superior to Other Models

- ◆ Hatfield is completely flexible; over 400 inputs can be varied by the model user
- ◆ Hatfield is the only model that can be used to estimate the cost of unbundled elements and universal service
- ◆ Hatfield is completely open in that all calculations can be viewed and evaluated

A Unitary Fund Gives States a Key Role

- ◆ The FCC generates the entire amount of the Unitary Fund and distributes it to the states
 - Amount based on the difference between the nationwide average of basic universal service (\$20.00) and the TELRIC based on Hatfield 2.2.2
- ◆ States determine the distribution among eligible carriers based on the subsidy needed on a per line basis

Preserve Basic Universal Service For Low-Income Users

- ◆ MCI's Universal Service Fund preserves the Life-Line and Link-Up programs
 - MCI's Universal Service proposal maintains a subsidy that supports basic universal service for low-income users

Connect Schools and Libraries to the Internet

- ◆ Provide Internet Access At or Below Cost
- ◆ Provide Discounts to Low-Income and Rural Schools
- ◆ Target Discounts for High-Bandwidth Services
- ◆ Determine the Total Connection Cost
- ◆ Require Schools to Have a State-Approved Plan
- ◆ Promote Competition Among Service Providers